



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE
April 12, 2005

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CALIFORNIA TREASURER ANGELIDES PUSHES FOR SWEEPING REFORMS OF INSURANCE GIANT AIG, URGES STATE'S PENSION FUNDS TO TAKE ACTION TO RECOVER LOSSES THAT COULD TOTAL MORE THAN \$400 MILLION

*With Losses to the Funds and Taxpayers from Recent Scandals Approaching
WorldCom & Enron Magnitude, Angelides says AIG appears to be
"Poster Child" of Corporate Corruption*

SACRAMENTO, CA – With the alleged fraud at giant insurer American International Group (AIG) resulting in losses to the State's pension funds of more than \$400 million since February 14th when it was announced that AIG had received subpoenas from the U.S. Securities and Exchange Commission (SEC) and the New York State Attorney General's office, California Treasurer Phil Angelides today called on the California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS) to take all possible actions to recover losses to the funds and taxpayers, push for reforms at AIG to protect shareholders from further harm, and enlist other institutional investors in those reform efforts.

In letters to CalPERS and CalSTRS, Angelides urged the two funds to aggressively pursue all avenues – including legal actions against the company, responsible executives and the company's auditor – to recoup stock losses due to alleged fraud, and to use their considerable market clout to seek improvements in the company's governance to protect shareholders from further damage. Angelides also encouraged the funds to enlist other large institutional investors in their efforts to reform AIG. Angelides' letter to CalPERS was co-signed by the fund's Board President, Rob Feckner.

In addition, Treasurer Angelides urged the funds to examine the role auditor PricewaterhouseCoopers may have had in alleged wrongdoing at AIG. Last year, CalPERS and CalSTRS voted against the election of the audit committee members and ratification of PricewaterhouseCoopers as AIG's independent auditor, because the auditors were authorized by the company to perform lucrative non-audit consulting work – a practice that the pension funds had sought to curb since the scandals of Enron and WorldCom. While it appears clear now that AIG's auditing process was flawed, at the time of the votes against AIG's independent auditor, anti-corporate reform forces such as the Chamber of Commerce and the Business Roundtable roundly criticized the funds' actions.

"AIG is a poster child of the corporate corruption that has brought the fairness and integrity of our nation's financial markets into question and cost investors trillions in

recent years, if these allegations prove to be true,” Angelides said. “It is unconscionable that these alleged corporate misdeeds have already cost California’s pension funds and taxpayers \$400 million. We must hold the company and responsible executives accountable for their actions, and we must protect shareholders and taxpayers against further harm.”

Angelides urged the funds to pursue the following actions, at a minimum:

1. The funds should take all possible steps, including legal action, to recover any losses suffered by the pension systems and California taxpayers as a result of improper corporate behavior at AIG or the company’s auditor, PricewaterhouseCoopers.
2. The funds should demand that company elections allow for shareholder nominations to the board of directors and for the selection of independent board members that look out for the interests of shareholders, not corporate insiders.
3. In light of allegations about widespread accounting fraud at the company, the funds should take steps to ensure that AIG’s outside auditor is truly independent.

In recent months, a number of serious allegations have come to light regarding AIG, including the resignation of AIG Chairman and CEO Maurice “Hank” Greenberg on March 14. The company is currently under investigation by the U.S. Department of Justice, the U.S. Securities and Exchange Commission, and the New York State Attorney General’s office as a result of these revelations. Allegations made public in news reports include bid-rigging, and a host of questionable accounting moves possibly intended to deceive investors and artificially prop up the company’s stock price.

Treasurer Angelides has been a national leader in corporate reform efforts – fighting to recover losses to pension funds and taxpayers due to fraud and misconduct, to clean up corporate boardrooms, and to restore confidence in our financial markets. He also pushed to expand the ability of shareholders – the true owners of companies – to have a voice in decisions that affect company value. Angelides and his colleagues across the country have repeatedly called on the SEC to implement a rule first proposed 18 months ago to “level the playing field” for investors by granting shareholders the right to nominate candidates for corporate boards of directors. In January, after 15 months of inaction on the issue, a group of eleven public investment officials nationwide vowed to pursue shareholder’s rights to fair elections “one company at a time,” if necessary to implement this fundamental reform.

To read the letters to CalPERS and CalSTRS, visit www.treasurer.ca.gov.

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PHILIP ANGELIDES
Treasurer
State of California

April 12, 2005

Mr. Chuck Valdes
Chair, Investment Committee
California Public Employees' Retirement System
400 P Street
Sacramento, CA 95814

Dear Mr. Valdes:

In the wake of recent allegations of widespread accounting fraud and other corruption at the American International Group, Inc. (AIG), which have resulted in a loss to CalPERS' stock holdings in AIG upwards of \$240 million since February 14th alone – losses of Enron and WorldCom proportions – we urge CalPERS' Investment Committee to take any and all necessary actions to recoup these losses to the fund and to California's taxpayers, to push for reforms at AIG which are critically needed to protect investors, and to enlist other institutional investors in efforts to reform AIG.

As you know, in recent months, a number of serious allegations have come to light regarding alleged fraud at AIG, including the resignation of AIG's Chairman and CEO Maurice "Hank" Greenberg on March 14. AIG is currently under investigation by the U.S. Department of Justice, the U.S. Securities and Exchange Commission, and the New York State Attorney General's office as a result of these allegations. In the last eight weeks, the value of AIG shares has fallen by more than 25%. Allegations made public in news reports include bid-rigging, and a host of questionable accounting moves possibly intended to deceive investors and artificially prop up the company's stock price.

As the owner of nearly 12.5 million shares of AIG stock worth more than \$651 million (as of April 11, 2005), CalPERS, along with other major institutional investors, is in a position to compel necessary and positive reforms of this company and to set a strong example of the kinds of reforms necessary to protect investors. We call on CalPERS to take whatever actions are necessary to recover lost money, bring about needed reforms at AIG, and enlist other large investors in this critical effort.

At a minimum, CalPERS should take the following actions:

- 1) CalPERS should take all possible steps, including legal action, to recover any losses suffered by the fund and California taxpayers as a result of improper corporate behavior at AIG or the company's auditor, PricewaterhouseCoopers.
- 2) CalPERS should demand that company elections allow for shareholder nominations to the board of directors and for the selection of truly independent directors that look out for the interests of shareholders, not corporate insiders.
- 3) CalPERS should also work to ensure that AIG's outside auditor is truly independent, so that investors cannot be duped by fraudulent accounting maneuvers.

CalPERS must take strong actions to protect shareholders and California's taxpayers from the unfortunate events surrounding AIG. We look forward to working with you on this matter. We hope that this matter can be put on the agenda for consideration at the earliest possible opportunity.

Thank you for your consideration.

Sincerely,



Phil Angelides
State Treasurer



Rob Feckner
CalPERS Board President

cc: Honorable Board Members, CalPERS
Fred Buenrostro, Chief Executive Officer
Mark Anson, Chief Investment Officer



PHILIP ANGELIDES
Treasurer
State of California

April 12, 2005

Mr. Gary Lynes
Chair, Investment Committee
California State Teachers' Retirement System
7919 Folsom Boulevard
Sacramento, CA 95826

Dear Mr. Lynes:

In the wake of recent allegations of widespread accounting fraud and other corruption at the American International Group, Inc. (AIG), which have resulted in a loss to CalSTRS' stock holdings in AIG upwards of \$160 million since February 14th alone – losses of Enron and WorldCom proportions – I urge CalSTRS' Investment Committee to take any and all necessary actions to recoup these losses to the fund and to California's taxpayers, to push for reforms at AIG which are critically needed to protect investors, and to enlist other institutional investors in efforts to reform AIG.

As you know, in recent months, a number of serious allegations have come to light regarding alleged fraud at AIG, including the resignation of AIG's Chairman and CEO Maurice "Hank" Greenberg on March 14. AIG is currently under investigation by the U.S. Department of Justice, the U.S. Securities and Exchange Commission, and the New York State Attorney General's office as a result of these allegations. In the last eight weeks, the value of AIG shares has fallen by more than 25%. Allegations made public in news reports include bid-rigging, and a host of questionable accounting moves possibly intended to deceive investors and artificially prop up the company's stock price.

As the owner of nearly 8.4 million shares of AIG stock worth more than \$437 million (as of April 11, 2005), CalSTRS, along with other major institutional investors, is in a position to compel necessary and positive reforms of this company and to set a strong example of the kinds of reforms necessary to protect investors. I call on CalSTRS to take whatever actions are necessary to recover lost money, bring about needed reforms at AIG, and enlist other large investors in this critical effort.

At a minimum, CalSTRS should take the following actions:

- 1) CalSTRS should take all possible steps, including legal action, to recover any losses suffered by the fund and California taxpayers as a result of improper corporate behavior at AIG or the company's auditor, PricewaterhouseCoopers.
- 2) CalSTRS should demand that company elections allow for shareholder nominations to the board of directors and for the selection of truly independent directors that look out for the interests of shareholders, not corporate insiders.
- 3) CalSTRS should also work to ensure that AIG's outside auditor is truly independent, so that investors cannot be duped by fraudulent accounting maneuvers.

CalSTRS must take strong actions to protect shareholders and California's taxpayers from the unfortunate events surrounding AIG. I look forward to working with you on this matter. I hope that this matter can be put on the agenda for consideration at the next CalSTRS investment committee.

Thank you for your consideration.

Sincerely,



Phil Angelides
State Treasurer

cc: Honorable Board Members, CalSTRS
Jack Ehnes, Chief Executive Officer
Chris Ailman, Chief Investment Officer